



October 25, 2005

Marlene H. Dortch
Secretary
Federal Communication Commission
445 12th Street, SW
Washington, DC 20554

Re: *Ex Parte* Communications *In the Matter of the Federal-State Joint Board on Universal Service* CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170 and NSD File No. L-00-72.

Dear Ms. Dortch:

The undersigned and Susan Gately of Economics and Technology, Inc., representing the Ad Hoc Telecommunications Users Committee, met with Thomas Navin, Chief of the Wireline Competition Bureau, and members of his staff on October 24, 2005 to discuss the proceedings referenced above.

Ad Hoc discussed the points reflected in document attached hereto, which was distributed to the Commission participants in the aforementioned meeting.

Sincerely,

A handwritten signature in black ink, appearing to read 'James S. Blaszak', written over a horizontal line.

James S. Blaszak

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Users Committee

200.14/2005 USF



Ad Hoc Telecommunications User's Committee

USF Assessment and Collection Principles

- Present revenue-based system is not sustainable.
- USF contributions should be based on nondiscriminatory assessments on assigned (working) telephone numbers and special access connections to end users' premises.
 - Each working telephone number should be equal to one (1) unit, regardless of its use: Centrex, DID, PBX trunks, Residential, VoIP, Cable-Telephony, Wireless, Pagers, Toll-Free numbers and any other assigned and working numbers should be treated the same.
 - Special access equivalencies must be set at levels that *do not* distort technology or purchasing decisions.
 - Ad Hoc supports the use of the special access equivalencies originally proposed as part of the *COSUS* plan.
 - Up to and including DS-0 = 1 unit
 - Above DS-0 and up to and including DS-1 = 5 units
 - Above DS1 = 40 units
 - Telephone numbers associated with lifeline service would be exempt (in other words = 0 units)
 - To the extent that a class of telecommunications carrier (for example, a carrier offering pre-paid calling cards only) provides its customers neither telephone numbers nor dedicated access connections, an alternative mechanism (a flat fee, or equivalencies based upon number of subscribers or revenues) would need to be developed.
- Assessments should be collected from carriers providing the retail service (that uses either a telephone number or a special access connection) to an end user. Wholesale or intermediate carriers would not pay the assessment.
- Changes should be made to the reporting mechanisms to implement this system.



Attachment A

Residential Customers will not be harmed by imposition a numbers based assessment plan with a charge in the range of \$1.00

- *First* -- the numbers-based approach advocated by Ad Hoc exempts Lifeline and Link-Up subscribers from making any contributions to the universal service fund based on their landline phones. Low-income subscribers are protected.
- *Second* -- average, single line residential subscriber would pay less in USF charges at \$1.00 per month per line than they pay today.
- *Third* -- local telephony has been making up an increasingly smaller percentage of annual household income. It accounts for less than 0.65%, down from 0.85% in 1986. A residential USF charge of more than \$7.00 would be required for local telephony to comprise the same proportion of annual household income as in 1986.¹
- *Fourth* - increases in the residential SLC have not caused an increase in the number of households without phone service, the trend has been in the opposite direction.
- *Fifth* -- studies reveal that affordability of basic local service is not the primary reason why residential households without local phone service do not subscribe to local phone service.²
- *Finally* -- studies of elasticity for local phone service demonstrate that an *increase* in local service prices of \$1.00 per month would likely result in a decrease of less than two-tenths of a percentage in local service penetration

¹ See Comments of the Ad Hoc Committee in this proceeding dated April 12, 2003.

² Studies in Texas and NJ reveal unpaid long distance charges and high installation/reactivation fees are frequently cited. See: Jerry Hausman and Howard Shelanski, *Economic Welfare and Telecommunications Regulation: The E-Rate Policy for Telecommunications Subsidies*, 16 Yale J. on Reg. 19 at *49 n. 103 (citing *Policy Research Project on the Evolution of Universal Telecomms. Serv. in Tex., The Evolution of Universal Service in Texas* 16-17 (Lyndon B. Johnson Sch. of Pub. Affairs Policy Research Project Report No. 116)), and Hausman and Shelanski, at 49 n. 103 (citing Milton Mueller & Jorge Reina Schement, *Universal Service From the Bottom Up: A Study of Telephone Penetration in Camden, New Jersey*, 12 Info. Soc'y 273, 274 (1996)).



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rates.³ At most, the numbers-based assessment methodology would result in an increase in the range of \$0.50 for some subscribers (the increase would be smaller for others, and many others would experience a reduction) – meaning that worst-case impact upon subscribership would be a reduction of less than one-tenth of one percent.

³ See Comments of the Ad Hoc Committee in this proceeding dated April 12, 2003. Elasticity estimates for local phone service come from Jerry Hausman and Howard Shelanski, *Economic Welfare and Telecommunications Regulation: The E-Rate Policy for Telecommunications Subsidies*, 16 Yale J. on Reg. 19, *38 n.85 (1999) (citing Jerry Hausman, *et al.*, *The Effects of the Breakup of AT&T on Telephone Penetration in the United States*, 83 Am. Econ. Rev. 178 (1993)).



Attachment B

The implementation problems identified by some parties are relatively minor. Adjustments to the reporting system would result in relatively minimal transaction costs.

- The major issues presented by parties opposed to or seeking to delay use of “assigned” numbers revolve around specifics of the current survey tool, the Number Resource Utilization Forecast (NRUF). Moderate modifications to the NRUF forms and reporting frequency would solve the bulk of issues raised. In any event, the USF worksheet should be primary data collection device for calculating USF assessments.
- The NRUF data is collected only twice a year – a more frequent reporting schedule would improve the accuracy of the data.
- Some carriers do not file their NRUF form. Structuring the payment system with an “assumption” that all numbers given to carriers that do not file their NRUF forms are “assigned” can solve this problem. Those carriers with less than 100% number utilization will have a significant incentive to file their utilization forms.
- Numbers used by “resellers” are “assigned” to the underlying ILEC. The NRUF may need to institute a separate count of “reseller” numbers, or the Commission could require a reconciliation using USF Worksheet data.